

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
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R 141713Z JUL 78
FM AMEMBASSY LA PAZ
TO SECSTATE WASHDC 1643
INFO AMEMBASSY LIMA
AMEMBASSY CARACAS
AMEMBASSY BOGOTA
AMEMBASSY QUITO

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C O R R E C T E D C O P Y (PARA 4)

E.O. 11652: NA
TAGS: ECIN, BL
SUBJ: GOB AWARDS RENAULT THE SECOND COMPONENT OF ITS
ANDEAN PACT VEHICLE ASSIGNMENT

REF: LA PAZ 4936

1. ON JUNE 29 THE GOB AWARDED RENAULT THE LIGHT VEHICLE ASSEMBLY
AND GASOLINE ENGINE COMPONENT OF BOLIVIA'S MOTOR VEHICLE
ASSEMBLY ASSIGNMENT UNDER ANDEAN PACT DECISION 120.
CHRYSLER, THE OTHER MAJOR CONTENDER, WAS AWARDED SECOND
PLACE. MOTOR IBERICA AND MERCEDES BENZ, THE OTHER PARTICIPANTS
IN THE SECOND ROUND OF NEGOTIATIONS, WERE NEVER UNDER SERIOUS
CONSIDERATION FOR THIS PORTION OF THE AWARD.

2. RENAULT, WHOSE TOTAL INVESTMENT SHOULD EVENTUALLY REACH
ABOUT \$ 14 MILLION, WILL SHARE OWNERSHIP OF THE NEW JOINT
VENTURE WITH COFADENA, THE ARMED FORCES DEVELOPMENT, AGENCY,
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WHICH WILL OWN 51 PERCENT. THE MANUFACTURING PLANT IS NOW
UNDER CONSTRUCTION AT THE SANTIVANEZ INDUSTRIAL PARK
NEAR COCHABAMBA. MERCEDES BENZ, WHICH WAS AWARDED
THE DIESEL ENGINE AND HEAVY-DUTY TRUCK ASSEMBLY
(SEE REFTTEL), WILL ALSO ASSEMBLE VEHICLES AT
SANTIVANEZ.

UNDER THE AWARD RENAULT WILL RPRODUCE THE B.I.I-

TRUCKS AND VEHICLES DERIVED THEREFROM UP TO 3,000 KGS. BOLIVIA RECEIVED THE B.I.I VEHICLE ASSIGNMENT UNDER DECISION 120 WHICH PERMITS BOLIVIA TO SUPPLY THE VEHICLES DUTY FREE TO MEMBERS OF THE ANDEAN PACT. RENAULT IS REQUIRED TO MANUFACTURE A SUITABLE GASOLINE ENGINE FOR THE B.I. I, TO BUILD A FORGE AND FOUNDRY, AND TO ESTABLISH A TRANSMISSION AND STEERING ASSEMBLY PLANT.

THE RENAULT PLANT WILL ALSO ASSEMBLE, UNDER AGREEMENT WITH VENEZUELA, THE A 3 AND A 4 VEHICLES, I.E. PASSENGER VEHICLES AND VEHICLES DERIVED THEREFROM OF MORE THAN 1500 CC AND UP TO 2000 CC, AND OF MORE THAN 2000 CC RESPECTIVELY. THESE VEHICLES WILL BE ASSEMBLED FOR BOLIVIA'S DOMESTIC MARKET USING KITS MANUFACTURED IN VENEZUELA. THOSE PARTS, E.G. THE GASOLINE ENGINE, WHICH ARE MANUFACTURED WITHIN BOLIVIA AND WHICH ARE COMPATIBLE WITH THE A 3 OR A 4 MAY BE INCORPORATED IN THESE VEHICLES. UNDER AGREEMENT WITH COLOMBIA, BOLIVIA CAN ASSEMBLE THE C VEHICLE, I.E. FOUR WHEEL DRIVE VEHICLES, FOR ITS DOMESTIC MARKET.

IN RETURN, COLOMBIA AND VENEZUELA WILL ASSEMBLE THE B.I.I FOR THEIR DOMESTIC MARKETS FROM KITS MANUFACTURED IN BOLIVIA.

3. AT THE JUNE 30 PRESS CONFERENCE TO PUBLICALLY ANNOUNCE THE AWARD AND TO EXPLAIN THE DECISION, THE SPOKESMAN FOR THE GOB NEGOTIATING COMMITTEE DID NOT COMPARE OR ANALYZE THE RELATIVE MERITS OF THE CHRYSLER UNCLASSIFIED

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AND RENAULT PROPOSALS. RATHER HE FOCUSED HIS REMARKS ON THE INTERNATIONAL PRESTIGE OF BOTH FIRMS AND UPON THE IMPORTANCE OF THE COMMITTEE'S PLANT VISITS. THE SPOKESMAN EXPRESSED CONCERN ABOUT WORLD ENERGY PROBLEMS AND NOTED THAT RENAULT'S PROTOTYPE ALUMINUM ENGINE WILL INCORPORATE THE WORLD'S LATEST TECHNOLOGY. HE DID NOT POINT OUT, HOWEVER, THAT THE RENAULT ALUMINUM ENGINE WILL NOT BE AVAILABLE UNTIL 1982 AND THAT BOLIVIA MUST IMPORT THE ALUMINUM WITH WHICH TO FABRICATE THE ENGINE. THE GOB ESTIMATES THAT ANNUAL GASOLINE ENGINE PRODUCTION LEVELS WILL REACH 44,000 UNITS BY 1985.

ALTHOUGH THE NEGOTIATING COMMITTEE SPOKESMAN EMPHASIZED THE IMPARTIALITY OF ITS DECISION, CHRYSLER, ALONE, RECEIVED A SUBSTANTIAL AMOUNT OF BAD PRESS DURING THE LAST SEVERAL WEEKS BEFORE THE DECISION WAS ANNOUNCED. BOLIVIAN PRESS ARTICLES DISCUSSED CHRYSLER'S FINANCIAL PROBLEMS, VEHICLE RECALLS, AND THE ALLEGED UNSTABLE HANDLING CHARACTERISTICS OF THE OMNI AND HORIZON. GENERALLY, THESE ARTICLES WERE ACCURATE TRANSLATIONS OF THOSE ARTICLES APPEARING IN RECENT U.S. PUBLICATIONS, BUT THEY WERE CHARACTERIZED BY MISLEADING HEADLINES.

4. CONTRACT NEGOTIATIONS HAVE BETWEEN RENAULT AND THE GOB.
NEGOTIATIONS BETWEEN MERCEDES BENZ AND THE GOB HAVE OVERCOME
INITIAL PROBLEMS AND ARE NOW PROCEEDING SMOOTHLY.
PRESIDENT BANZER, WHO LEAVES OFFICE AUGUST 6, WANTS TO
INAUGURATE THE NEW MANUFACTURING PLANT IN LATE JULY. BOTH
FIRMS HAVE ASSURED HIM THAT NEW, BOLIVIAN ASSEMBLED
VEHICLES WILL BE AVAILABLE FOR THE CEREMONY. VEHICLES WILL
BE ASSEMBLED FROM SEMI-KNOCKED DOWN KITS UNTIL 1982 WHEN THE
VEHICLES MUST BE PRODUCED ENTIRELY IN BOLIVIA OR FROM ANDEAN
PACT MEMBER COUNTRY PRODUCED COMPONENTS.
BOEKER

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